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## Mexico

### Agricultural Situation

### Weekly Highlights and Hot Bites #11

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1]  
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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### **PRICE OF CORN, SOYBEANS AND WHEAT COULD INCREASE 55 PERCENT**

In the short run, the world economy looks like it is going to have a food shortage crisis, provided that the price of basic grains continues to increase. The international price of corn, soybeans and wheat could increase up to an annual average of 55 percent, since it is estimated that the basic products will increase from \$5.78 (U.S. dollars) per bushel in 2007, to \$8.97 (U.S. dollars) in 2008. The expectation of high inflation, especially for corn, is influencing plans for new ethanol plants in the United States. It is worth mentioning that the food inflation in China increased 18.2 percent annually in 2007, in India 7.8 percent while in Mexico the prices of food increased 7.5 percent annually. (Source: El Financiero; 03/07/2008)

### **SUGAR CANE PRICES: NEXT POLITICAL CRISIS?**

Juan Cortina, President of the National Chamber of the Alcohol and Sugar Industry of Mexico, stated that mill owners, sugar cane producers and the government have two months to reach agreement on an adjustment in the price of sugar cane to be able to pay the sugar cane producers. The industry is in a crisis because the sugar reference price used to determine sugar cane prices are 15 - 20 percent above the current price of sugar. "The Committee for the Agro Industry, as established by the Sugar Law, will be installed for the first time since 2005," said Cortina. In addition, in order to increase the price of sugar, Cortina proposed the obligatory export of surplus sugar because of the price lowering effect if the inventories are allowed to accumulate. Cortina, however, also stated that the lower sugar prices combined with high corn prices did give sugar an advantage over fructose. (Source: Universal; 3/12/08)

### **THE AGRICULTURAL SECTOR HAD 14 YEARS TO PREPARE ITSELF**

Jack Sweney, the former Vice-president of the American Chamber of Commerce (AmCham), recently said that the agricultural sectors did not make any changes to increase their productivity during the 14 years that NAFTA has been in effect. Beginning this year, the tariff rate quotas (TRQ) were eliminated so Mexico could import yellow corn from the United States with no restrictions. Sweney, who participated in the NAFTA negotiations in 1993, confirmed that legally Mexico, the United States and Canada can renegotiate the agreement. However, commercially it is not convenient. The three countries recently formed a group to renegotiate NAFTA, and they are confident they can do so as long as a democratic candidate wins the U.S. presidency. Sweney commented that a renegotiation would have to start at the top with each President. "The arguments against the treaty, which have been exposed by the legislators, are the same arguments they used during the negotiation in 1993," said

Sweney. "The legislators can review the NAFTA agreement, but I doubt that they will try to renegotiate it," said Sweney. (Source: El Universal; 03/12/2008)

### **CNA EXPECTS AN IMPACT IN AGRICULTURE**

Jaime Yesaki, President of the National Agricultural Council (CNA), said that the economic slow down in the U.S. could impact the Mexican agricultural sector with a reduction in exports to the U.S. and Canada. CNA's President stated that 85 percent of Mexico's exports go to the U.S., which is why a change in the economy and incomes of the Americans would impact the Mexican agricultural sector. "With the economic slow down, we will be affected in two ways: with exports and from investment," said Yesaki. "There would be less investment and less credits; therefore, we have to look for new markets because we depend on the United States too much." Yesaki said that the impact of the economic slow down will be felt during the middle of the year. (Source: Reforma; 03/13/2008)

### **PEASANTS ASK LEGISLATORS TO DOUBLE THEIR EFFORTS**

The organizations of the Movement for Food and Energy Sovereignty, Worker's Rights, and Democratic Freedom asked several members of Congress to double their efforts to push for a review of NAFTA, and ask President Calderon to make a decree to establish an administrative mechanism for corn and bean trade. Cruz Lopez Aguilar, Leader of the National Peasant Confederation (CNC), explained that an agreement would increase nutrition and modify several laws that would benefit the peasants. (Source: La Jornada; 03/12/2008)

### **THE NATIONAL COMMITTEE FOR SUGAR CANE CREATED**

With a budget of 5 million pesos the Secretariats of Agriculture, Economy and Labor, together with agricultural industries and producers, installed the National Committee for the Sustainable Development of Sugar Cane that will define the development of the sector. The Secretary of Agriculture, Alberto Cardenas Jimenez, said that the members of the Board of Directors of the Committee agreed to adopt a National Program of the Sugar Industry 2007-2012 (PRONAC) as its main axis. At the same time, Juan Cortina Gallardo, President of the National Chamber of Sugar and Alcohol Industries, and Carlos Blackaller Ayala, leader of the National Union of the National Confederation of Rural Owners, confirmed that with the Committee they are taking a step forward into consolidating the efforts of the sugar cane producers and the government. Blackaller assured that sugar cane producers are ready to increase productivity and take advantage of NAFTA. Meanwhile, the Under Secretary of Economy, Rocio Ruiz, said that she hopes Mexico can export 500,000 tons of sugar to the United States. (Source: La Jornada, Reforma, Universal; 3/14/2008)

### **AGRICULTURAL WORKERS INSIST ON NAFTA RENEGOTIATION**

Agricultural workers' associations that have been protesting against NAFTA's full implementation have included non-agricultural related demands, associated with other pressure groups, to be included in the so-called "National Movement for Energy and Food Sovereignty, Labor Rights and Democratic Freedom". They recently delivered 28 demands to the GOM; one of them included the renegotiation of NAFTA's agricultural chapter with the threat to protest again in August if their demands are not met. They also criticized the GOM for trying to negotiate with other associations, who have rejected the protestors' position. (Source: Rumbo De Mexico, 3/8/08)

### **TRANSGENIC CORN: ILLEGAL BUT BETTER**

As the discussion for the approval of using genetically-modified (or transgenic) corn seeds in Mexico continues, several producers in the state of Chihuahua have been using them for years while improving their yields, even though they are technically committing a felony. In 2004, Mexico issued a law that regulates and allows transgenic “crop experiments”, but the lack of a more specific regulation has produced a legal gray-area. Armando Villarreal, a corn producer from the state of Chihuahua, claims that more than 9,000 hectares of corn might be transgenic seeds. However, he stated that no-one will acknowledge it, and he’s sure that transgenic seeds will help reduce Mexico’s corn imports by 80 percent. While there is no substantial evidence of transgenic seeds being dangerous, the topic is highly politicized because of the cultural relevance that corn has in Mexico. (Source: Milenio, 3/09/08)

### **CONGRESS DEMANDS EXPLANATION OF NAFTA’S IMPACT**

Members of the Mexican Lower House requested a series of hearings with the Secretaries of Agriculture and Economy, so that they can explain the impact of NAFTA’s full implementation on Mexico’s agricultural sector. Representative Hector Padilla, President of the Agriculture Committee, explained that the hearings may take up to three days in order to define and, hopefully, implement adequate policies to alleviate the problems faced by agricultural workers. He added that during the hearings they will invite state government officials, agricultural workers’ associations and related industry members. (Source: El Sol De Mexico, 3/10/08)

### **GOM TO PROMOTE WHEAT PRODUCTION**

Because of current high prices and a 60 percent dependency on imports, the GOM launched an incentive program to boost wheat production in Central and Northern Mexico. The Mexican Ministry of Agriculture, through its ASERCA agency (which regulates and coordinates agricultural support programs), will define a direct incentive program that examines crop yields and the industry’s demand. Graciela Aguilar, Director of ASERCA, explained that Mexican producers prefer the durum wheat variety for larger yields, but unfortunately, that’s not what the industry demands. “It’s a sort of compensation, and we’re self-sufficient in durum wheat, but we need to alleviate the dependency on imports of wheat used by the baking industry,” said Aguilar. Aguilar also commented on how ASERCA will assist producers with agriculture-by-contract schemes and a hedging mechanism. (Source: Reforma, 3/10/08)

### **PORK PRODUCERS EASE THEIR PRESSURE ON IMPORT SAFEGUARD**

The Mexican newspaper, Reforma commented in its business editorial column that Mexican pork producers led by Vicente Garcia have given up their request for the GOM to implement a safeguard against U.S. imports. The solution came after the Mexican Ministry of Agriculture (SAGARPA) transferred 100 million pesos (nearly U.S. \$9.4 million) to the rural development bank Financiera Rural, which developed a specific support program for the pork industry. (Source: Reforma, 3/12/08)

### **MONTERREY-BASED XIGNUX BUYS 49.9 PERCENT OF QUALTIA ALIMENTOS**

Xignux, a Monterrey-based conglomerate that participates in the electric, automotive and food industries, announced the acquisition of 49.9 percent of the stocks of Qualtia Alimentos, a cold-cuts and dairy producer and distributor. The stock formerly belonged to Xignux’s partner Sara Lee. Qualtia Alimentos has three plants in Mexico, with yearly sales of nearly U.S. \$300 million, more than 7,000 employees and several distribution points of sale around

the country. Their top brands include: Kir, Zwan, Duby, Alpino and Caperucita. Pedro Sepulveda, Corporate Development Director at Xignux, commented that the operation is still subject to verification and approval from the authorities, but they expect this to be official by the end of the month. Sepulveda explained this is a sign of how the company is betting on the food industry as a pillar for their growth and diversification. (Source: El Norte, 3/14/08)

#### REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX8017	Grain & Feed Annual	3/10/08
MX8016	Weekly Highlights and Hot Bites #10	3/7/08
MX8015	Weekly Highlights and Hot Bites #9	2/29/08
<a href="#">MX8014</a>	Livestock Semi-Annual	3/7/08
MX8013	Poultry Semi-Annual	3/4/08
<a href="#">MX8012</a>	Weekly Highlights and Hot Bites #8	2/22/08
<a href="#">MX8011</a>	Weekly Highlights and Hot Bites #7	2/15/08
<a href="#">MX8010</a>	Grain Import Update	2/14/08
<a href="#">MX8009</a>	Dairy Preparations	2/12/08
<a href="#">MX8008</a>	Dairy WTO	2/12/08
<a href="#">MX8007</a>	U.S. Entry for Table Grapes	2/8/08
<a href="#">MX8006</a>	Weekly Highlights and Hot Bites #6	2/8/08
<a href="#">MX8005</a>	Weekly Highlights and Hot Bites #5	2/1/08
<a href="#">MX8004</a>	Weekly Highlights and Hot Bites #4	1/25/08
<a href="#">MX8003</a>	Weekly Highlights and Hot Bites #3	1/22/08
<a href="#">MX8002</a>	Weekly Highlights and Hot Bites #2	1/14/08
<a href="#">MX8001</a>	Weekly Highlights and Hot Bites #1	1/4/08

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